CPP ANNUAL USE OF CAPITAL SURVEY - 2010

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

First Alliance Bancshares, Inc.

Point of Contact:	Melanie L. Cooley, EVP	RSSD: (For Bank Holding Companies)	3640041
UST Sequence Number:	1209	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	3,422,000	FDIC Certificate Number: (For Depository Institutions)	35245
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	June 26, 2009	City:	Cordova
Date Repaid[1]:	N/A	State:	Tennessee

[1]If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

X **Increase lending or reduce lending less than otherwise would have occurred.**

In 2010, $500,000 of the original $3,422,000 CPP Funds was contributed to capital to ensure the financial strength and lending capacity of the Bank. In 2009 $2,500,000 of the original $3,422,000 CPP Funds was contributed to the Bank's capital.

X **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

12/31/10 loans totaled $97,038,874 w/$76,245,956 (78.6%) secured by Real Estate and $20,792,918 (21.4%) not secured by Real Estate. The Bank's goal is to focus on and increase small business lending as our Real Estate portfolio reduces. C&I loans totaled $18,016,303 or 18.6% @ 12/31/10.

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X Increase securities purchased (ABS, MBS, etc.).

Outstanding balance in Securities at 12/31/10 was $12,148,764.99 and the outstanding balance in Securities at 12/31/09 was $11,587,455.74. An increase of $561,309.25.

☐ Make other investments.

X Increase reserves for non-performing assets.

12/31/10 ALLL $3,672,459 or 3.79% of the portfolio 09/30/10 ALLL $3,291,602 or 3.39% of the portfolio 06/30/10 ALLL $3,209,588 or 3.09% of the portfolio 03/31/10 ALLL $2,920,502 or 2.79% of the portfolio

☐ Reduce borrowings.

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X **Increase charge-offs.**

12/31/10 end of year charge-offs totaled $699,557 or .72% of the loan portfolio. Previous years charge-offs totaled $2,690,340 or 2.77% of the loan portfolio. 12/31/10 OREO & Other Repo Assets totaled $4,978,391.

☐ **Purchase another financial institution or purchase assets from another financial institution.**

X **Held as non-leveraged increase to total capital.**

$500,000 was contributed to to FAB capital in 12/2010. At 12/31/10 $536,814.88 was held in cash at the holding company level to service interest & dividend payments.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The CPP funds are directly related to FAB's ability to maintain well capitalized status and continue its lending programs.Tier 1 Leverage Ratio, Tier 1 Risk Based Capital and Total Risk Based Capital Ratios are as follows:7.83%, 10.39% and 11.67% at 12/31/108.20%, 10.74% and 12.02% at 09/30/108.14%, 10.62% and 11.89% at 06/30/108.10%, 10.58% and 11.84% at 03/31/10The lending program has been redirected from 1-4 family construction loans, residential lot loans and residential development loans to commercial and industrial loans and small business loans with a focus on SBA loans, credit lines, equipment loans and owner occupied real estate loans. The loan percentages of commercial and small business loans are increasing:18.60% of the portfolio at 12/31/1017.60% of the portfolio at 09/30/1016.90% of the portfolio at 06/30/1016.30% of the portfolio at 03/31/10CRE as a percentage of total risk based capital is also improving:133% and 232% at 12/31/10127% and 227% at 09/30/10159% and 264% at 06/30/10167% and 271% at 03/31/10

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

CPP funds enabled FAB to hire a very experienced senior lender to manage the lending staff. This EVP level manager possesses strong commercial and industrial and small business lending background. The primary function is to build a small business lending program and refocus FAB from its historical real estate dependence.   With the above in place, FAB restructured its lending staff into two (2) focus areas (good bank/bad bank).The first focus area is composed of two (2) small business development teams. Each small business team has a SVP level small business lender, a portfolio manager and a loan administrative assistant.   The plan has been successful as you can see from the above numbers, the bank is slowly decreasing CRE loans and increasing small business and SBA lending.The second focus area is the special assets manager (SVP level) and the credit administrator (EVP level). This area of the bank is charged with managing the workout of troubled assets and other real estate owned and other repossessed assets.   The current economic environment has created a need for experienced personnel to manage troubled assets. FAB recognizes this need and has devoted considerable human resources in the area of special assets to ensure the best possible results for the bank.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.